

# NAPA COMPENSATION QUESTIONNAIRE NOTES

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PROBLEMS with CURRENT SYSTEM: Have had increasing attrition, people looking for a financial growth stream were leaving. Particularly concerned that some of the mid-level people--future leaders and top performers--have been leaving; inability to compete in hiring.

This has been a driver for the new system. It is to be a market based, using primarily local (Economists & Lawyers are on region surveys) surveys and ranges based on the survey. Job value is to be determined by an evaluation plan that has career ladders. The rate ranges are expected to be divided into quintiles or quartiles, with salaries managed using a salary matrix with the increase amount to be based upon salary level within range and performance appraisals parameters. The current has and new system is expected to have all of the exempt personnel in one pay structure.

Status: Their Officers program (initial policy, procedures and ranges are ready for implementation effective 1/1/89. The employees program is targeted for implementation in mid '89 with similar philosophies.

## I. Compensation System:

What is compensation approach? (How organization manages and why)

A. Hire at, above, or below market salary rates, recruitment bonuses used?

1. Entry vs. senior level hires. Most hiring of economists is now directly out of school. The FED uses American Economics Association salary data as a main source to set their start rates at market. In addition, they maintain ties with the various college/university department chairs.

B. Geographic vs. national pay schedules and why. The regional Federal Reserve Banks do local surveys and then send the justifications for their local rates for review and approval by the Federal Reserve Board in Washington D.C. There are different market conditions at various FED locations, particularly for non-exempt positions. They may need to pay higher rates at some locations, but don't want to cause local market disruptions if national rates at other locations aren't needed to compete effectively. For the approximately 95 Officer's at the Board (roughly equivalent to the SES) the pay schedule is integrated with a Federal Reserve System National Officer's structure but primarily impacted by a northeastern market survey. The FED does have a posting procedure for hard to fill spots in the system, but there is normally little structured interchange of people, ie transfers between the various FED branches.

C. What are special compensation programs for supervisors and non-managerial staff? Don't have any special programs, but do make allowances for progression of non supervisory staff in a few exceptional cases.

D. Pay adjustments--Based on market, profitability or ?

1. Increase or Salary Management? Using increase management now. Will have a salary matrix with performance and years of experience in the new system.

2. Frequency. Annual

3. Merit increase distributions (common date or Anniversary? exceptions or mid-years) based on individual's performance. Annual common date basis now.

4. Amount of increase tied to performance? Can do 1 or 2 steps throughout the year to recognize outstanding performance, with a limit of 10% of a Department's employees being eligible for such treatment.

5. Can non-supervisory pay equal or exceed executive pay? (dual ladder-have it; your views). It is limited and beyond the regular employee level now, but expect to phase it out with the implementation of the new salary program.

6. Lead, lead/lag or lag; market target at x % +/- market? They are currently following a lag/lag, market philosophy now.

E. How important is uniformity of pay across different business lines and organizations? Have a salary budget target for all branches of the FED, but allow some flexibility for contingencies; all non-Officer structures are based on local surveys.

1. Uniformity

2. Flexibility

3. Problems/Issues

F. Roughly what portion of total compensation is bonuses or other forms of at risk pay? None with the new program. Had 0 - 20% with the old program that was available as a lump award for Board. They found that as salaries lagged further and further behind, the bonuses became a salary supplement and didn't meet the goals envisioned when the program was established.

G. What is purpose of putting pay at risk? N/A

H. Who can make exception to your start salary rules? What can they change? Can hire anywhere within steps 1 through 10, and for Economists and lawyer, up to step 15 with the approval of the Personnel Director.

1. National office only? (What can they waive?) N/A

2. Division VP? N/A
3. Manager/Supervisor? N/A

I. Added Compensation for passing clearance (lifestyle restrictions--can't publish, etc.) Most officials have clearances; the FED does not have any added compensation for passing a clearance.

J. Premium pay (overtime, hazardous duty pay) for professional employees?

1. Do have it? No.
2. Who is eligible and under what circumstances?

K. What do you disclose about your pay system to employees?

1. Classification descriptions? Career ladders
2. Rate ranges? yes
3. Policies/procedures? yes
4. Individual pay rates? No.
5. Other? Rationale for pay increases, salary matrix each year, policies & procedures, and proposed changes are also communicated to employees.

## II. RECRUITING APPROACH

What do you sell to recruit staff? The FED is the place to be, it is where the action is, economically speaking; many employees come for the job challenge and ability to have impact in the field. It also looks great on a resume for those so inclined.

New Graduates: Hire mostly new graduates

Experienced:

- A. Salary
- B. Benefits including deferred compensation
- C. Career with firm
- D. Opportunity to work with latest technology
- E. Importance of projects, to? The importance of the work, and the national and international impact are real enticements.
- F. Profit sharing Have a thrift plan where the FED pays 60 cents on the dollar up to 6% of base pay. Also have a 401 K plan where these funds can go. The monies are privately managed, but the FED sets the standards of performance; the FED has been willing to switch money managers where these standards have not been met.
- G. Perquisites (work environment)
- H. Ability to work with first class organization (yours)
  - a. best minds? Prestige of working with top people.
  - b. at cutting edge, or?
  - c. ?
- I. New Grad training program? Have about 30 research assistant positions for undergraduates where generally after two years, they leave the organization for advanced study or different career fields.

J. Any other thoughts/concepts?

### III. Special Recruiting-New PhD or experienced?

What would do to attract a world class talent (PhD in Mathematics, MIT - exception, not pipeline talent.

A. Would you make exception to your normal classification /compensation rules? Haven't had to do this and haven't wanted to. Do have key professor contacts and may make a heavy sell as to why coming to the FED is a good idea for the candidate, but no more salary flexibility.

B. If so, on what basis? N/A.

1. Work environment
2. How much flexibility to keep a hook in them? Could offer an exceptional candidate the opportunity to work on their own specialized research.
3. Conflict of interest issues? Competition?

C. How do you pay top people? Don't hire many Officers; most are promoted from within. For those few cases, they do have flexibility to pay at the highest step if needed, and have had Board of Governors' approval to extend the range to step 15.

1. Pros/Cons or problems in your system

### IV. Workforce Concept

What kind of workforce concept are you operating under?

A. Lifetime career, no layoff? Follow more of a career concept for all employees except the Research Assistants, which are temporary positions.

B. Only for duration of project?

C. Hire cutting edge recruits from school; edge out with slow raises after a few years, or?

D. Fully experienced, proven talent from other organizations?  
No.

E. Government/Military as a source? Almost never.

F. Revitalization of burned-out people? If so what, what conditions?

No, not as a structured program. Have a special sabbatical for one to two Officers per year at an educational institution, a study of central banks, or at another Federal Reserve Bank for a period of up to one year.

#### V. Employee Mobility

Do you move your professional staff? What levels? (e.g. Management only? Technical?

Have almost not movement of professional staff.

A. What problems, if any, are you having?

B. What solutions are you using that work best?

C How do you keep transferees whole?

1. Family
2. Spouse
3. Second wage earner
4. Schools
5. Other
6. / Additional services offered?

#### VI. General Support

Do you have:

A. Second career support - Outplacement activity/consultant?  
Have used an early retirement program that was across-the-board. Have used consultants very selectively.

B. Do you rely on short term "borrowing" of staff from research organizations/universities. etc. (conditions 18-24 months; person goes back to prior job) - Conflict of interest, sabbatical issues?

C. Flexible Benefits (Upper mid-level to below Officer).  
No.